

Market Bulletin

Ref: Y5211

Title Brexit – Coverholder Grandfathering

Purpose To advise the market of the grandfathering of Coverholder approvals and the changes to Lloyd's Regions, as a result of Brexit

Type Event

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Deadline

Related links Y5166
www.lloyds.com/brexit
<https://www.lloyds.com/market-resources/delegated-authorities>

Introduction

From 1 January 2019, Coverholders wishing to bind risks located in the European Economic Area ('EEA') will only be able to do so under a 'Coverholder Appointment Agreement' ('CAA') with Lloyd's Brussels. From this date, EEA risks will no longer be permitted under Lloyd's Binding Authority Agreements. In addition, only risks located in the EEA or UK may be bound under a CAA with

Lloyd's Brussels.¹ In order to enter in to a CAA, Coverholders must be approved by Lloyd's Brussels and hold any required Regional Extensions.

As explained in Market Bulletin Y5166, to minimise any disruption for existing Lloyd's approved Coverholders, Lloyd's Brussels will grandfather the approval of Coverholders who currently have authority to bind EEA risks for Lloyd's Underwriters. This process will also grandfather Coverholders' existing Regional Extensions in so far as is possible (see changes to Regions and approach to Grandfathering below).

This market bulletin contains important information in explaining the grandfathering process and the changes required to ATLAS and BAR in order for these changes to be effective. ***Managing agents and Lloyd's brokers are asked to carefully consider this bulletin to ensure that the grandfathering process can operate effectively.***

It should be noted that we are 'grandfathering' Lloyd's approvals and permissions only. In particular, UK coverholders will become unlicensed "third country" intermediaries in EEA jurisdictions post-Brexit. It is critical that all Coverholders, regardless of where they are located, have the appropriate intermediary authorisation / licence for the activities that they undertake in other territories or in respect of risks or insureds located in other territories. Although subject to the final Brexit negotiations, it is currently expected that an intermediary that wants to solicit business and / or have direct contact with policyholders in the EEA will need to be authorised in the territory where the policyholder is located.

For further information and guidance on the licences and trading rights of Lloyd's Underwriters and Lloyd's Brussels, please refer to Crystal.

Changes to Atlas/BAR Regions

As Lloyd's Brussels will commence writing business from 1 January 2019, it is necessary to make some changes to the Regions used in Atlas and BAR in order to reflect the trading rights of Lloyd's Brussels and those of Lloyd's Underwriters post-Brexit.

Lloyd's currently divides all operating territories in to 24 Regions². Of these, only the 'Europe (Licensed)' Region will be affected by Brexit, other than Gibraltar and Monaco being added to the existing 'Europe (Unlicensed) Region.

On 1 January 2019, the 'Europe (Licensed)' Region will therefore be replaced with 3 new Regions and the countries currently defined as being within 'Europe (Licensed)' will be redistributed in line

¹ Please note that Lloyd's Brussels is currently in the process of obtaining authorisation in Monaco. Once authorised, Lloyd's Brussels will also be able to underwrite risks located in Monaco. Once authorised, the market will be notified but until this time Coverholders are not permitted to bind risks located in Monaco on behalf of Lloyd's Brussels.

² The Regional Mapping document can be found on <https://www.lloyds.com/market-resources/delegated-authorities/applications-and-processes/post-approval-changes/regions>.

with the new Lloyd's operating model. The new Regions and the countries contained in each are set out below³:

New Regions – replacing 'Europe (Licensed)'		
Europe (A)	Only Lloyd's Brussels (LB) will be licensed in this Region	Austria, Azores, Balearic Islands, Belgium, Bulgaria, Campoine D'Italia, Canary Islands, Ceuta , Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, French Guiana, Germany, Greece, Guadeloupe, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Livigno , Luxembourg, Madeira, Malta, Martinique, Mayotte, Melilla, Netherlands, Norway, Poland, Portugal, Reunion, Romania, Saint Barthelemy, Saint Martin (France), Slovakia, Slovenia, Spain, Svalbard, Sweden
Europe (B)	Only Lloyd's Underwriters (LL) will be licensed in this Region	Falkland Islands, Guernsey, Isle of Man, Jersey, San Marino
United Kingdom	Lloyd's Underwriters (LL) and Lloyd's Brussels (LB) will be licensed in the UK	United Kingdom

Grandfathering

In accordance with Market Bulletin Y5166 and the Lloyd's Brexit toolkit, all Coverholders intending to bind risks under a CAA, must now be approved by Lloyd's Brussels (LB).

To make the Brexit transition as easy as possible on existing Lloyd's approved Coverholders, Lloyd's Brussels will replicate their existing approvals and permissions in so far as is possible as part of a 'grandfathering' process. This process will consist of 2 Phases, with Phase 1 to be completed by 28 September 2018 and Phase 2 to be completed by 1 January 2019.

The following updates to Coverholder approvals and permissions will be made as part of this process:

Phase 1 – 28 / 29 September 2018

Approval to enter in to CAAs with Lloyd's Brussels

- Coverholders domiciled in an EEA country, the UK, or Switzerland⁴, who are currently approved by Lloyd's, with Europe (Licenced) as an approved Regional Extension, will be automatically approved by Lloyd's Brussels, thereby permitting them to enter in to CAAs. No other Coverholders will be approved to enter in to CAAs with Lloyd's Brussels under the grandfathering process.

³ Please note, this is the expected position as-of 1/1/19. The Regions may change further in the future.

⁴ A coverholder in Switzerland can have a CAA from Lloyd's Brussels for risks located in the EEA or the UK if:

- Lloyd's Brussels is authorised for the class of business in the territory where the risk is located, and,
- The insured and the risk (the object that is insured) are both located outside Switzerland.

Phase 2 – 1 January 2019**Approval to enter in to Binding Authority Agreements with Lloyd's Underwriters**

As a result of Brexit, Lloyd's Underwriters will no longer be licensed within the EEA. The impact of Coverholder approvals will be as follows:

- Coverholders domiciled in an EEA country, (other than Cyprus, Norway or the Netherlands) will have their approval to enter in to Binding Authority Agreements with Lloyd's Underwriters revoked. These Coverholders will therefore be approved by Lloyd's Brussels only and may only enter in to a CAA with Lloyd's Brussels.
- Coverholders domiciled in Cyprus, Norway or the Netherlands will continue to be approved to enter in to Binding Authority Agreements with Lloyd's Underwriters but only with respect to business where the insured and the risk location are outside the EEA.
- Coverholders domiciled in the UK will maintain their Lloyd's Underwriters approval on Atlas. Those currently holding a Regional extension for 'Europe (licensed)' will also be approved by Lloyd's Brussels enabling them to enter in to a CAA with Lloyd's Brussels.

Grandfathering of Regional Extensions

Lloyd's existing Region 'Europe (Licensed)' is to be removed for all Coverholders. There will no longer be a 'Europe (Licensed)' Region since coverholders in the EEA will now need to be Lloyd's Brussels approved coverholders if they write EEA located risks. Further information on the changes to Regions is outlined above, with more detail to be provided in the forthcoming Coverholder Toolkit Addendum.

The impact on Regional Extensions will be as follows:

Coverholder Domicile	Current Regional Extensions	New Regional Extensions
EEA (excluding Cyprus, Norway & Netherlands)	Europe (licensed)	Europe (A) UK
EEA (excluding Cyprus, Norway & Netherlands)	Europe (unlicensed)	(Revoked)
EEA (excluding Cyprus, Norway & Netherlands)	All other Regions ⁵	(Revoked)
Cyprus, Norway & Netherlands	Europe (licensed)	Europe (A) Europe (B) UK
Cyprus, Norway & Netherlands	Europe (unlicensed)	Europe (unlicensed)

⁵ African (Licensed/Unlicensed), Asia & Pacific (Licensed/Unlicensed), Australia, Canada, Caribbean (Licensed/Unlicensed), Central & South America (Licensed/Unlicensed), China, Hong Kong SAR, India, Israel, Japan, Labuan, Malaysia, Mexico, Middle East (Licensed/Unlicensed), New Zealand, Singapore, South Africa, Switzerland, United Arab Emirates, US (incl. Illinois, Kentucky on admitted basis), US Virgin Islands

Cyprus, Norway & Netherlands	All other Regions	No change
UK	Europe (licensed)	Europe (A) Europe (B) UK
UK	Europe (unlicensed)	No change
UK	All other Regions	No change
Switzerland	Europe (licensed)	Europe (A) ⁴ Europe (B) UK
Switzerland	Europe (unlicensed)	No change
Switzerland	All other Regions	No change
All other non-EEA	Europe (licensed)	Europe B UK
All other non-EEA	Europe (unlicensed)	No change
All other non-EEA	All other Regions	No change

Reinsurance

In respect to Reinsurance, Coverholders domiciled Spain and Germany will continue to be approved to enter into Binding Authority Agreements with Lloyd's Underwriters but only with respect to reinsurance business where the reinsured is outside the EEA.

However, these Coverholders will not be automatically grandfathered with Lloyd's Brussels approval or granted Europe (A) as a Regional Extension. In instances where these approvals are required, please contact Coverholders@lloyds.com.

Action required by Managing Agents and Lloyd's Brokers

Following both Phase 1 and 2 stages of grandfathering, Managing Agents and Brokers should review and ensure that all Coverholders have the appropriate permissions from Lloyd's Underwriters or Lloyd's Brussels. Any new requests for Lloyd's Brussels approvals or any new additional Regional Extensions should be made via Atlas in the usual manner.

Atlas and BAR changes

In addition to the grandfathering of approvals and Regional Extensions, a small number functional changes, have been made to Atlas and BAR in order to accommodate the impact of Brexit. These changes will be outlined in the guidance notes on <https://www.lloyds.com/market-resources/delegated-authorities/delegated-authority-news/delegated-authority-events> and the forthcoming Coverholder Toolkit addendum.

For queries on Atlas and BAR please contact Coverholders@lloyds.com. For queries relating to local regulatory requirements please contact LITA@lloyds.com.